

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



**CORRECTED  
FISCAL MEMORANDUM**

**SB 3106 – HB 3722**

April 10, 2012

**SUMMARY OF AMENDMENTS (014002, 014831):** Amendment 014002 deletes all language after the enacting clause. Redefines the term “cost,” as it relates to costs of an economic development project authorized under the Border Region Retail Tourism Development District Act (Act), to mean all costs of an economic development project in a certified district incurred by the municipality or industrial development corporation, which occur during the investment period, rather than all costs of an economic development project in a certified district incurred by the municipality or industrial development corporation. Defines “investment period” to mean a period beginning two years prior to the municipality’s designation of the proposed border region retail tourism development district for the project and ending ten years after certification of the district. Removes language requiring the annual cost summary report, which is submitted to the Commissioner of Revenue by the municipality, to include the cost of any new phases of the project to be completed within the 30-year time limitation. Adds language to the Act declaring that the Act shall only apply to a border region retail tourism development district for which a certified copy of the ordinance required by Tenn. Code Ann. § 7-40-104(a)(1), along with other certification documentation required by Tenn. Code Ann. § 7-40-104(a)(2), has been filed with the Commissioner of Revenue before January 1, 2012.

Amendment 014831 adds language authorizing a refund of state and local sales taxes paid on the retail sale of certain items of tangible personal property, when sold to a natural person who has received disaster assistance through the Federal Emergency Management Agency (FEMA), as a result of disasters occurring in this state between February 29, 2012, and March 4, 2012. Eligible items include certain major appliances (with a sales price no more than \$3,200 per item), certain residential building supplies (with a sales price no more than \$500 per item), and certain residential furniture (with a sales price no more than \$3,200 per item). Requires any eligible items to be purchased between February 29, 2012, and December 31, 2012. Requires claimants to make application with the Department of Revenue (DOR) for the purpose of determining eligibility. Specifies information to be included on applications. Establishes application filing deadline dates for claimants. Caps the total refund payment to any eligible claimant at \$2,500. Requires any refund payment to be made by DOR directly to the eligible claimant. Requires DOR to develop guidelines for administering refund payments, and grants broad discretion to the Commissioner to administer the refund payment process. Authorizes DOR to assess civil penalties not to exceed \$25,000 against any person who knowingly files a false or fraudulent application. Sets a repeal date of July 1, 2013.

FISCAL IMPACT OF ORIGINAL BILL:

NOT SIGNIFICANT

**SB 3106 – HB 3722 (CORRECTED)**

## **FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENTS:**

On March 20, 2012, a fiscal memorandum was issued estimating a fiscal impact as follows:

*Increase State Expenditures – Net Impact – Exceeds \$900,000/FY12-13*

*Decrease State Expenditures - Exceeds \$100,000/FY13-14 and Subsequent Years*

*Due to incomplete information, this impact was in error. Based on additional information provided by the Department of Revenue, the estimated impact is:*

### **(CORRECTED)**

**Increase State Expenditures – Net Impact – Exceeds \$400,000/FY12-13**

**Decrease State Expenditures - Exceeds \$100,000/FY13-14 and Subsequent Years**

Assumptions applied to amendments:

- According to the Department of Revenue (DOR), reducing the investment period and requiring all qualifying costs to be incurred during the investment period will result in a reduction to the special allocations of sales tax revenue which are made from the state to local governments.
- Any reduction to the special allocations of sales tax revenue which are made from the state to local governments will be dependent upon the extent of capital investments made in Border Region Retail Tourism Development Districts.
- Under current law, the special allocations of sales tax revenue from the state to eligible local government entities are assumed to be made from the General Fund.
- Based on information provided by DOR, the recurring decrease in state expenditures from the General Fund as a result of the provisions concerning the Border Region Retail Tourism Development District Act is reasonably estimated to exceed \$100,000.
- The fiscal impact associated with the proposed refund of state and local sales taxes paid by storm victims on the qualified retail purchases of tangible personal property is dependent upon several unknown factors such as the number of claimants that will receive disaster assistance through FEMA, the extent of qualified retail purchases of tangible personal property subsequently made by any eligible claimants, and the extent of prices paid for such qualified items of tangible personal property.
- Any refund payments made to storm victims will be made from the General Fund during FY12-13.
- Given the extent of unknown factors, determining a precise fiscal impact associated with proposed tax relief for storm victims is difficult. However, based on information provided by the Department of Revenue, the one-time increase in state expenditures is reasonably estimated to exceed \$500,000.
- The net increase in state expenditures from the General Fund for FY12-13 as a result of the bill as amended is estimated to exceed \$400,000 (\$500,000 - \$100,000); the recurring decrease in state expenditures from the General Fund for FY13-14 and subsequent years is estimated to exceed \$100,000.

**CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read "Lucian D. Geise". The signature is fluid and cursive, with the first name "Lucian" written in a larger, more prominent script than the last name "Geise".

Lucian D. Geise, Executive Director

/rnc